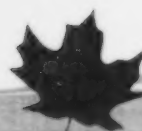




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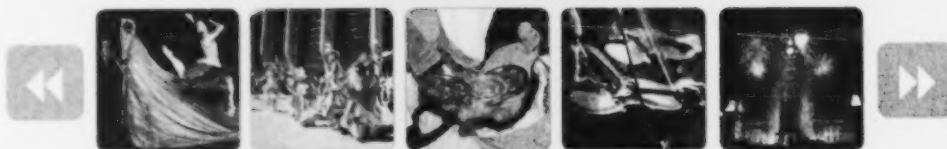
Canada



## **Internal Audit of the Aboriginal Peoples' Program: Aboriginal Living Cultures Component**

Office of the Chief Audit and Evaluation Executive  
Audit and Assurance Services Directorate

May 2009





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## Executive Summary

### Introduction

The Aboriginal People's Program (APP) is managed by the Director General - Aboriginal Affairs Branch under the leadership of the Assistant Deputy Minister (ADM) of Citizenship and Heritage Sector at Canadian Heritage (PCH). The APP enables Aboriginal people to address the social, cultural, economic and political issues affecting their lives. Its aim is to increase the participation, and strengthen the cultural revitalization of Aboriginal people in Canadian society. The APP program elements, during the scope of the audit from April 1, 2006 to March 21, 2008, were structured under three distinct but complementary components: Aboriginal Organizations, Aboriginal Communities and Aboriginal Living Cultures (ALC). The programming under the Aboriginal Organizations component was transferred to the Department of Indian and Northern Affairs effective April 2007 and the programming under the Aboriginal Communities component was recently audited. The audit report was approved by the Departmental Audit Committee December 5, 2008.

This audit report and the audit activities conducted focus on the ALC component of the APP which has an annual expenditure level of approximately \$20.0 million. The program elements within the ALC component include:

- Aboriginal Languages Initiative (ALI);
- Four Host First Nations (FHFN);
- National Aboriginal Achievement Awards (NAAA);
- Northern Aboriginal Broadcasting (NAB);
- National Aboriginal Day (NAD);
- Northern Distribution (ND); and
- Territorial Language Accords (TLA).

The objectives of the audit were to provide PCH senior management with:

- Assurance that management control frameworks (systems, procedures, controls, and resources) and management practices are appropriate to ensure compliance, program effectiveness and financial integrity; and
- Assurance that payment activities comply with policies and regulations.

The audit scope covered the period from April 1, 2006 to March 31, 2008 and addressed areas of internal controls and stewardship, risk management, governance, information used for decision-making, operational management, accountability and performance reporting. Component specific risks identified through planning phase activities indicated the need to focus efforts in the conduct phase of the audit on the NAB, ALI and TLA program elements of ALC.

## Key Findings

Throughout the audit fieldwork, the audit team observed several examples of how controls are properly designed and are being applied effectively by APP management. This resulted in the positive findings listed below:

- The NAB element files were well structured and required information was easily found.
- The NAB element had well documented rationale and analysis to substantiate the approval of claims.
- Program information was entered and kept up-to-date within Grants and Contribution Information Management System (GCIMS) and was generally consistent with the information documented within recipient files.
- Section 32 and Section 34 documents were properly executed.

However, the audit noted that significant improvements are required in the area of internal controls and governance practices as well as in risk and performance management practices:

- There are opportunities to improve the use of standard contribution agreement templates for the ALI element to ensure that contribution agreement payment schedules are in line with the *TB Policy on Transfer Payments*;
- There are opportunities to improve the funding formulas for the NAB and ALI elements as well as the justification and documentation that support recipient funding decisions; and
- There are opportunities to improve the development of internal service delivery standards for the ALC component to accelerate the approval process; implement a formal risk assessment for ALC; and improve the performance measurement and management of ALC.

## Recommendations

1. The Director General, Aboriginal Affairs Branch, should review all ALI open agreement files to determine whether payment schedules within contribution agreements are in compliance with the Treasury Board (TB) Policy on Transfer Payments' cash management requirements. Where payment schedules are found not to be aligned, amendments to the agreements should be initiated to ensure future payments are aligned with the TB Policy on Transfer Payments;
2. The Director General, Financial Management Branch should establish a process to enable programs to seek appropriate authorities for any proposed deviations from the standard contribution agreement. These decisions to deviate should be properly documented and endorsed by the CoE;
3. The Director General, Aboriginal Affairs Branch should:

- a) update the NAB and ALI funding formula, update the NAB website to include the updated 2008-2009 application guidelines, develop internal procedures to allow the NAB element to distribute funding on a competitive basis and clarify ALI recipient and project eligibility criteria for direct funding projects; and
  - b) ensure that recipient files contain all the relevant documentation and sufficient justification to support any funding decisions and to demonstrate sufficient due diligence;
4. The Director General, Aboriginal Affairs Branch should establish formalized internal service delivery standards for the file approval process. These standards should be communicated externally to stakeholders. Moreover, the Director General should actively evaluate the Program's performance according to the established service delivery standards;
5. The Director General, Aboriginal Affairs Branch, should implement a formal risk management and project monitoring process specific to the ALC; and
6. The Director General, Aboriginal Affairs Branch should ensure that there are mechanisms in place to measure and manage the ALC component performance.

### **Statement of Assurance**

In my professional judgment as Chief Audit and Evaluation Executive, sufficient and appropriate audit procedures have been conducted and evidence gathered to support the accuracy of the opinion provided and contained in this report. The opinion is based on a comparison of the conditions, as they existed at the time, against pre-established audit criteria that were agreed to with management. The opinion is applicable only to the entity examined and within the scope described herein. The evidence was gathered in compliance with Treasury Board policy, directives, and standards on internal audit and the procedures used meet the professional standards of the Institute of Internal Auditors. Sufficient evidence was gathered to provide senior management with the proof of the opinion derived from the internal audit.

## **Audit Opinion**

In my opinion, the NAB, ALI and TLA program elements of ALC require significant improvements in the following control areas: citizen focused services, risk management, results and performance management, and policy and program.

Original signed by:

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**Vincent DaLuz**

Chief Audit and Evaluation Executive,  
Department of Canadian Heritage

## **Audit Team Members**

A/Director - Nicole Serafin

Joëlle Huneault

With the assistance of external resources



# **1. Introduction and Context**

## **1.1 Authority for the Audit**

The authority for the audit is derived from the multi-year risk based audit plan which was approved by the Deputy Minister and the Departmental Audit Committee in June 2008.

## **1.2 Background**

Prior to 2005, the Aboriginal Affairs Branch (AAB) had 15 programs and initiatives which were governed by 10 separate and distinct directives that predated the Treasury Board Policy on Transfer Payments (PTP). In 2005, the Government endorsed a new policy framework that consolidated these programs and initiatives. The new framework included the creation of the Aboriginal Peoples' Program (APP) and sought efficiencies in administration and reporting and the ability to strategically monitor and report on results. The APP's terms and conditions were approved in October 2005 and a three year implementation strategy (2005-08) to effect the transition from the former administration of individual programs to the new APP.

The APP enables Aboriginal people to address the social, cultural, economic and political issues affecting their lives. Its aim is to increase the participation, and strengthen the cultural revitalization of Aboriginal people in Canadian society. APP program elements and initiatives are structured under three distinct but complementary components: Aboriginal Organizations, Aboriginal Communities and Aboriginal Living Cultures.

- The Aboriginal Organizations component provides key national, provincial, territorial, and regional Aboriginal organizations with the capacity to represent the interests of their communities. The programming under this component was transferred to the Department of Indian and Northern Affairs Canada effective April 2007.
- The Aboriginal Communities component, aims to strengthen Aboriginal cultural identity and participation in Canadian society, focusing on the unique challenges faced by Aboriginal youth, women and urban communities. The programming under this component was recently audited. The audit report was approved by the Departmental Audit Committee December 5, 2008.
- The Aboriginal Living Cultures (ALC) component focuses on the development of strategies for the preservation, revitalization and promotion of Aboriginal languages and cultures.

ALC, which is the subject of this audit, is comprised of the following program elements:

**Northern Aboriginal Broadcasting (NAB):** The NAB element supports Aboriginal broadcasting organizations to produce and distribute radio and television programming in the North. The NAB element was established as part of the federal government's Northern Native Broadcasting Policy.

**Aboriginal Languages Initiative (ALI):** The ALI element maintains and revitalizes Aboriginal languages for future generations by increasing the number of Aboriginal language speakers, by encouraging the transmission of these languages from generation to generation, and by expanding language usage in family and community settings. The ALI element was managed by the Aboriginal Affairs Branch's Aboriginal Languages Directorate until May of 2008 when it was brought back under the responsibility of the APP Directorate.

**Territorial Languages Accords (TLA):** The TLA element ensures the development, maintenance and revitalization of the Aboriginal languages of the three territories (Yukon, Northwest Territories and Nunavut) by enabling and encouraging their use in the home, in the school and in the community. The TLA element was managed by the Aboriginal Affairs Branch's Aboriginal Languages Directorate until May of 2008 when it was brought back under the responsibility of the APP Directorate..

**National Aboriginal Achievement Awards (NAAA):** The NAAA element supports televising of the NAAA.

**National Aboriginal Day (NAD):** The NAD element provides seed money to national and regional Aboriginal organizations across Canada to promote National Aboriginal Day (June 21) as part of "Celebrate Canada" week. Indian and Northern Affairs Canada transfers funding to Canadian Heritage each year to support NAD activities in the National Capital Region and some regions across the country.

**Northern Distribution (ND):** The ND element provides funding to the Aboriginal Peoples Television Network (APTN) to lease, operate and maintain the satellite channel by which Aboriginal television productions are broadcast in 96 northern and remote communities. The ND element is managed by PCH's Broadcasting Policy and Innovation Branch.

**Four Host First Nations (FHFN):** The FHFN element is an agreement with the Four Host First Nations whose territories include sites where the Vancouver 2010 Olympic Games will be held. While the agreement is administered by the APP under the ALC (e.g. the APP reviews eligibility, claims for payments, etc.) the primary contact with the recipient is the 2010 Olympic and Paralympic Winter Games Federal Secretariat. A terms of reference document to manage the delivery of the FHFN element has been established between the 2010 Olympic and Paralympic Winter Games Federal Secretariat and the APP.

The table below summarizes the administration and delivery of the ALC program elements and indicates the expenditures by programming element for the fiscal years 2006-2007 and 2007-2008:

**Table 1: ALC Program Elements Expenditures (in millions of dollars)**

<b>ALC Programming Element</b>	<b>Delivery Method</b>	<b>2006/2007 Amount of Funding</b>	<b>2007/2008 Amount of Funding</b>
ALI	Third Party & Direct Delivery	5.242	4.724
FHFN	Direct	0.400	0.400
NAAA	Direct	0.113	0.113
NAB	Direct	7.945	7.910
NAD <sup>1</sup>	Direct	0.114	0.114
ND	Direct	2.100	2.100
TLA	Direct & Third party	4.100	4.100
<b>TOTAL</b>		<b>20.014</b>	<b>19.461</b>

## 2. Objectives

The objectives of the audit were to provide PCH senior management with:

- Assurance that management control frameworks (systems, procedures, controls, and resources) and management practices are appropriate to ensure compliance, program effectiveness and financial integrity; and
- Assurance that payment activities comply with policies and regulations.

## 3. Scope

The audit scope covered the period from April 1, 2006 to March 31, 2008 and addressed areas of internal controls and stewardship, risk management, governance, information used for decision-making, operational management, accountability and performance reporting. The audit was carried out at PCH headquarters in Gatineau between September and December 2008.

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<sup>1</sup> This programming element does not have allocated funds however approximately \$0.114M is spent each year by NAD from surplus funds.

Component specific risks identified through planning phase activities indicated the need to focus efforts in the conduct phase of the audit on the NAB, ALI and TLA program elements of ALC. The TLA and ALI programming elements were selected due to their material value, the fact that they both use delivery organizations to deliver funds to ultimate beneficiaries, and the fact that the programming elements have been operating in isolation of the rest of the APP elements since 2004-2005. Issues regarding claim payments and performance reporting have also been identified specifically to these programming elements. The NAB element was selected due to its material value.

The FHFN and NAD element were not considered material in relation to other programming elements within ALC and the ND element is managed by PCH's Broadcast Policy and Innovation Branch and will sunset in March 2010. As a result, for FHFN, NAD, and ND elements, the audit only covered a review of terms of references, Memoranda of Understanding (MOUs) and other agreements and practices (as applicable) to ensure accountabilities and roles and responsibilities of parties involved are appropriately defined and governed (i.e. audit criterion 1.3).

As the NAAA element involves only one agreement and its funding is not material in relation to the other elements within the ALC Component, the element was not included in the examination phase of audit activities.

## **4. Approach and Methodology**

The internal audit of the ALC was conducted in accordance with the Standards for the Professional Practice of Internal Auditing as per the Institute of Internal Auditors (IIA) and the standards and requirements set out in the Treasury Board Policy on Internal Audit.

Procedures for gathering evidence included sample testing of project files, inspection of documents, interviews, and computation and analysis of data where applicable. The application of these procedures allowed the formulation of a conclusion as to whether the criteria are being met. Standards for evidence followed, included ensuring information was sufficient, reliable, relevant, and useful to draw conclusions and meet the objectives of the audit.

The work performed included:

- Review of relevant program documentation including, but not limited to: Terms and Conditions (T&Cs), Results-based Management Accountability Framework (RMAF) and Risk Based Audit Framework (RBAF), program applicant guidelines and policies, procedures and work tools for the administration of the ALC program elements;
- Interviews with individuals responsible for management and administration; and
- Examination of a sample of project files from the NAB, ALI and TLA elements.

For purposes of the examination of project files, a sample was selected covering the period from April 2006 to March 2008. A total number of 28 out of 86 approved project files were selected from a list of files downloaded from the Grants and Contributions Information Management System (GCIMS). The selected files represented approximately 49 percent of the total project funding during the 2006-2007 and 2007-2008 fiscal years. The sample selection of project files is summarized in the following table:

**Table 2: Sample of project files**

	ALI	TLA	NAB	TOTAL
# of project files reviewed	15	3	10	28

## **5. NAB, ALI and TLA Background and Context**

In order to better understand the context of the findings outlined in section 6, an understanding of the history and operational context of the NAB, ALI and TLA elements (which were the focus of the audit examination phase) is required. The sections below provide contextual information on the NAB, ALI and TLA elements.

### **5.1 Northern Aboriginal Broadcasting (NAB)**

The NAB element has been in existence since 1983 and is managed by the APP Directorate. As of 2005/06, funding to support Aboriginal broadcasting societies to produce and distribute radio and television programming in the north is \$7,952,000 per fiscal year. Operational funding is provided by direct delivery to "not for profit aboriginal organizations providing broadcasting communications north of the Hamelin line, which is drawn at the 55<sup>th</sup> parallel and defines the Canadian North for purposes of Policy". Funding is to be provided to recipients based on an established formula that considers the number of hours broadcasted in Aboriginal languages.

### **5.2 Aboriginal Languages Initiative (ALI)**

Up until May 2008, ALI was under the management of the Aboriginal Languages (AL) Directorate which is separate from the APP Directorate. ALI was moved from the APP Directorate in 2004-2005 and established under the AL Directorate with the intent of combining ALI program activities with broader cultural activities. The intent was that ALI would have interim funding for 2005-2006 and then be brought under larger languages and cultural authorities in 2006-2007. The larger authorities, that would have encompassed ALI activities, were never realized and the programming element was brought back under the responsibility of the APP Directorate in May of 2008. Since its return to the APP Directorate, ALI has experienced 100% turnover of staff and management.

ALI is given \$4,925,000 annually to support Aboriginal community-based projects for the preservation and revitalization of Aboriginal languages. Eligible recipients are defined as "not for profit Aboriginal organizations and independent community groups and ad-hoc committees; and, where there exists a clear absence of an Aboriginal organization(s), non-Aboriginal organizations in partnership with Aboriginal organizations or Aboriginal advisory committees."

Delivery of ALI funds is provided mainly through third party delivery organizations. A portion of ALI funds is also provided directly to the national Assembly of First Nations (AFN), Metis and Inuit organizations for the development of national language strategies. Some funding is also provided to Aboriginal organizations for direct delivery of projects at the community level.

### **5.3 Territorial Languages Accords (TLA)**

Up until May 2008, the TLA element was under the management of the Aboriginal Languages (AL) Directorate. Similar to ALI, the TLA programming element has since been brought back under the responsibility of the APP Director. The TLA programming element has also experienced 100% turnover of staff and management. The authorities specify that the TLA element is given \$4,241,000 annually to create partnerships with territorial governments for the preservation, development and enhancement of aboriginal languages. The authorities specifically state the funding amount that will go to each of the territorial governments.



## **6. Observations, Recommendations and Management Response**

### **6.1 Policy and Programs**

The audit team observed opportunities for improvement in the utilization of the standard contribution agreement templates developed by PCH's Centre of Expertise (CoE). This would ensure that contribution agreement payment schedules are in line with the TB Policy on Transfer Payments.

#### **Analysis**

The TB Policy on Transfer Payments has established minimum payment schedules for advance payments to guide departments and to ensure payments are aligned based on recipient need. In addition, the CoE, under the Financial Management Branch, has developed contribution agreement payment schedules to ensure that the Departmental grant and contribution payments are in line with the TB Policy on Transfer Payments. The CoE plays a critical role in providing guidance and on-going supervisory review and compliance monitoring in the Grants and Contributions (Gs and Cs) process. Departmental Grant and Contribution programs are expected to use the CoE's standard contribution agreement templates. Even though it is not required, the CoE strongly encourages the programs to consult with them if they deviate from the contribution agreement templates.

Based on a review of ALI sample files, it was found that although the program utilized the CoE's standard template, payment schedules developed within the agreements were not consistent with the standard CoE payment schedules. A review of the payment schedules within the contribution agreements indicated that 10 of the 15 agreements' payment schedules were not in compliance with the TB Policy on Transfer Payment's cash management requirements. The audit team found no evidence to support whether the Aboriginal Languages Directorate consulted the CoE concerning the changes they brought to the payment schedules in the contribution agreements.

As indicated in the Internal Audit of the Grants and Contributions Processes – Horizontal Audit that was presented to the Departmental Audit Committee in February 2009, during the scope of the audit, the CoE Advisory Services did not have a formal, risk-based approach process for selecting funding requests for review. The CoE only reviewed funding request if it was requested by the Program.

Management of the Financial Management Branch indicated that starting in the Fall 2008, they began using statistical sampling for payment verification on a risk based approach. The CoE's responsibility is to review the selected grant and contribution payment to ensure that it meets the requirements of section 33 of the Financial Administration Act and Treasury Board Policies, of which the Policy on Transfer Payments. In addition, the CoE is, on a statistical sampling basis, performing enhanced

monitoring on contribution agreements that have been signed to ensure that a Program's terms and conditions and the TB Policy on Transfer Payments requirements are met. Given that there is already a process in place to implement the statistical approach that allows for more extensive examination of high risk payments, no recommendations will be made on this point at this time. However; the Audit and Assurance Services Directorate will follow-up in the next year with the Financial Management Branch on the implementation of the statistical sampling and will determine at that time if additional audit work is required.

### **Risk Assessment**

The utilization of payment schedules not consistent with the standard CoE templates increases the risk of ALC elements providing funding to recipients in a manner that is not in compliance with policies and accepted practices.

### **Recommendation**

1. The Director General, Aboriginal Affairs Branch, should review all ALI open agreement files to determine whether payment schedules within contribution agreements are in compliance with the TB Policy on Transfer Payments' cash management requirements. Where payment schedules are found not to be aligned, amendments to the agreements should be initiated to ensure future payments are aligned with the TB Policy on Transfer Payments; and
2. The Director General, Financial Management Branch should establish a process to enable programs to seek appropriate authorities for any proposed deviations from the standard contribution agreement. These decisions to deviate should be properly documented and endorsed by the CoE.

### **Management Response**

Agreed

## **6.2 Stewardship**

The audit team observed opportunities for improvement in the provision of sufficient justification and rationale to support recipient funding decisions and that recipient files include required support documentation to substantiate the payment of recipient claims. The audit team also observed opportunities for improvement in program communication activities and in the development of program eligibility guidelines.

### **Analysis**

For the NAB element, file review and interviews with the ALC Program Officer responsible for NAB files noted that the rationale for funding levels was not included within the program's eligibility assessment. It was reported by APP management that funding for the NAB element is determined based on a formula which was developed



based on the number of broadcasting hours. The same formula has been used since the program's inception in the mid-1980s. As funding has been decreased for this program, the procedure followed by the NAB element has been to reduce funding proportionately for all 13 regular recipients. The program was not able to provide a copy of a revised, approved funding formula, to demonstrate that the formula had been adjusted to reflect current program rates and budget cuts. A 2006 internal audit also recommended that the program documents the funding allocation process to justify funding decisions; however, this had not been completed during the scope of the time period covered by the current audit.

While recipients under NAB were named within previous authorities, the use of named recipients within NAB eligibility criteria was removed from the 2005 authorities. It was also observed that while the program's 2007-2008 guidelines were updated to reflect the removal of named recipients, these new guidelines had not been updated on the website. It was reported from staff that the NAB element is currently not structured to handle a competitive application process as the NAB element does not have procedures in place to evaluate proposals and provide funding based on merit if there were more recipients than available funds.

For the ALI element, documents to support the process to select delivery organizations and the funding amounts to each delivery organization could not be provided. The delivery organizations and the amount of funding transferred to these organizations was determined in conjunction with the national AFN, Metis and Inuit organizations at the initiation of the Program. The amount of funding delivered to each regional delivery organization has not been revisited since the ALI initiation in 1999. In addition to providing funding to regional delivery organizations, ALI provides direct funding to recipients but the process for assessing applications and determining funding amounts for direct recipients is not known to current APP management. While the justification for funding amounts was not indicated within the ALI files, file review indicated that applicants generally received the amounts requested in their proposals.

A review of the ALI applicant guidelines indicate that eligibility requirements include a broadly defined group of Aboriginal organizations and non Aboriginal organizations, when partnered with Aboriginal organizations. Eligible projects range from activities to promote the use of Aboriginal languages, to the sponsoring of gatherings to share best practices. Interviews with current staff indicated that the ALI guidelines related to recipient eligibility and the project eligibility is currently too broad.

In addition, through file review conducted on ALI files, the audit team observed that while the majority of files reviewed had evidence of recipient reports being reviewed by Program Officers, the evidence was informal by nature (i.e. tick marks). There was no formal sign-off by the Program Officer to indicate that expenditure and cash flow reports were reviewed and were appropriate. In addition, of the 15 files reviewed, 4 anomalies were observed in which files had no indication that summary of expenditures or updated cash flows were reviewed to justify the approval of claims. In 3 of the 4 anomalies

observed, claims were approved, but there was no evidence of the expenditure report within the file.

A lack of documentation on file renders it difficult to determine if some of the funds disbursed to recipients are recoverable. A recommendation was made in the Aboriginal Communities Component audit, presented to the DAC in December 2008, for PCH to disqualify recipients based on outstanding reporting requirements related to prior year agreements.

The appropriate retention of supporting documentation is especially important given the recent turnover of ALI and TLA staff experienced by the APP. The loss of ALI and TLA staff members has resulted in a loss of corporate memory on the state of ALI and TLA files and general program management practices. As such, it is difficult to determine the state of ALI and TLA recipient files as key information for files is often missing and the audit team was unable to obtain clarification on decisions with the Program Officers and staff in place during the period of the audit scope.

### **Risk Assessment**

The absence of a basis for allocating funding to recipients increases the risk that ALC components are not able to demonstrate transparency and due diligence in funding decisions. There is also a risk of not complying with the Treasury Board Policy on Transfer Payments.

The practice of specifically naming only existing recipients as eligible in the applicant's guide increases the risk that potentially eligible recipients may believe themselves to be ineligible. Moreover, if the NAB component in the ALC's directorate is not structured to handle a competitive application process, there is an increased risk that the NAB component in the ALC's directorate may not be able to evaluate proposals and provide funding based on merit.

In addition, unclear ALI guidelines in relation to eligible recipients and eligible projects increases the risk that agreements may be entered into with recipients that may not be eligible or that projects may not be aligned with program objectives.

If files are missing documentation, it increases the risk of not being able to determine if there are any recoverable and to demonstrate due diligence, transparency and consistency in the processing of claims as well as contributing to the loss of corporate memory in the event of staff turnover.

### **Recommendation**

3. The Director General, Aboriginal Affairs Branch should:
  - a) update the NAB and ALI funding formula. In addition, the Director General, should update the NAB website to include the updated 2008-2009 application guidelines, develop internal procedures to allow the NAB element to distribute

- funding on a competitive basis and clarify ALI recipient and project eligibility criteria for direct funding projects; and
- b) ensure that recipient files contain all the relevant documentation and sufficient justification to funding decision and to demonstrate sufficient due diligence.

### **Management Response**

Agreed

## **6.3 Citizen Focused Services - Service Delivery Standards**

The audit team observed opportunities for improvement in the development of internal service delivery standards for ALC Component programs in the areas of expected turnaround time for the ALC's involvement in the file approval process from the receipt of the GAF to the sign off of the Director General.

### **Analysis**

Through interviews with APP staff and documentation review it was determined that, while draft internal delivery standards were developed for ALC component elements under the management of the APP Directorate (including NAB), these delivery standards were not implemented and not communicated externally.

In addition, the audit team could not find evidence of service delivery standards for ALI and TLA programs which were managed by the Aboriginal Languages Directorate. While applications were submitted promptly, the recipient reported that it took several months for the agreement to be signed. ALI file review indicated that 8 of the 15 files reviewed had contribution agreements that were signed within the last week of the fiscal year with half of these having been initially received by the program in the first half of that fiscal year.

### **Risk Assessment**

When internal service delivery standards are not developed for a program, it increases the risk that objectives and expected turnaround times are not being met and that the Program is not able to evaluate its performance on the internal turnaround time for application assessments.

### **Recommendation**

4. The Director General, Aboriginal Affairs Branch should establish formalized internal service delivery for the file approval process. These standards should be consistent with Departmental service standards and communicated externally. Moreover, the Director General should actively monitor adherence to these service delivery standards.

## **Management Response**

Agreed

## **6.4 Risk Management**

The audit team observed opportunities for improvement in the implementation of a formal and systematic risk assessment process to identify, assess and mitigate program risk.

### **Analysis**

The APP Program developed an integrated RMAF / RBAF which was approved in October 2005 along with a three year implementation strategy (2005-08) to effect the transition from the former administration of individual programs to the new APP. This integrated RMAF / RBAF outlines the APP's Risk Management Strategy highlighting program-level key risks, their ratings and respective mitigation strategies (existing and proposed measures). It was noted during interviews and file review that although the ALC component programming elements do identify general recipient level risks (e.g. recipient history and financial viability), the RBAF's risk assessment has not been updated since its development in 2005. In addition, there is no formal risk management process or risk mitigation strategy implemented within the ALC component programming elements to formally and systematically identify, assess, and mitigate program and recipient risks. It was also noted that even though there have been recipients audits conducted, the recipient audit recommendations had not been followed-up by the ALC.

### **Risk Assessment**

Without fully implementing the RBAF and a formal risk management process, there is an increased risk that the ALC Component is not adequately identifying, assessing, mitigating and monitoring program risk.

### **Recommendation**

5. The Director General, Aboriginal Affairs Branch, should implement a formal risk management and project monitoring process specific to the ALC.

## **Management Response**

Agreed

## **6.5 Results and Performance Management**

The audit team observed opportunities for improvement in the activities undertaken to measure, manage and report on ongoing program performance during the period of the audit scope.

## **Analysis**

Through interviews and documentation review, the audit team determined that the APP Directorate did not undertake formal activities to measure and manage ongoing program performance of ALC component programming elements during the audit period in scope. There was no undertaking of formal activities to periodically review program practices and performance to make ongoing and continuous improvements. The APP Directorate started developing recipient performance reports in 2006-2007 and started the collection of performance related information from recipients in 2007-2008. An analysis of the information collected was not initiated until fiscal year 2008-2009 (not within the audit's period of scope) when the APP Directorate started to undertake activities to prepare the APP for renewal in 2010. During this audit, the program was in a three year implementation strategy (2005-08) to effect the transition from the former administration of individual programs to the new APP.

## **Risk Assessment**

Without ALC management regularly measuring program performance against established performance metrics, there is a risk that the ALC component is unable to report on its overall success. There is also a risk of not meeting stakeholder expectations and/or program objectives.

## **Recommendation**

6. The Director General, Aboriginal Affairs Branch should ensure that there are mechanisms in place to measure and manage the ALC component performance.

## **Management Response**

Agreed



## Appendix A – Audit Criteria

Based on a combination of evidence gathered through documentation examination, analysis and interviews, each of the audit criteria listed below was assessed and a conclusion for the audit criteria was determined using the following definitions.

Numerical Categorization	Conclusion on Audit Criteria	Definition of Conclusion
1	Well Controlled	<ul style="list-style-type: none"> <li>Well managed, no material weaknesses noted; and</li> <li>Effective</li> </ul>
2	Controlled	<ul style="list-style-type: none"> <li>Well managed, but minor improvements are needed; and</li> <li>Effective.</li> </ul>
3	Moderate Issues	<ul style="list-style-type: none"> <li>Has moderate issues requiring management focus (at least one of the following two criteria need to be met): <ul style="list-style-type: none"> <li>Control weaknesses, but exposure is limited because likelihood of risk occurring is not high;</li> <li>Control weaknesses, but exposure is limited because impact of the risk is not high.</li> </ul> </li> </ul>
4	Significant Improvements Required	<ul style="list-style-type: none"> <li>Requires significant improvements (at least one of the following four criteria need to be met): <ul style="list-style-type: none"> <li>Financial adjustments material to line item or area or to the department; or</li> <li>Control deficiencies represent serious exposure; or</li> <li>Major deficiencies in overall control structure.</li> </ul> </li> </ul> <p>Note: Every audit criteria that is categorized as a "4" must be immediately disclosed to the CAEE and the subjects matter's Director General or higher level for corrective action.</p>



The following are the audit criteria and examples of key evidence and/or observations noted which were analyzed and against which conclusions were drawn. In cases where significant improvements (4) and/or moderate issues (3) were observed, these have been reported in the body of the audit report.

Audit Criteria	Conclusion	Observation / Examples of Key Evidence
<b>Program Design</b>		
1.1 Organizational structure, available capacity, and competencies are reviewed and match those required to deliver the Program.	3	The departure of former ALI/TLA staff has created gaps in corporate memory/capacity.
1.2 Standard operating procedures for service delivery and systems to ensure quality have been developed.	3	While draft internal services standards were developed for ALC components under the management of the APP Directorate, from the receipt of the GAF to the sign off of the Director General (but not for ALI and TLA), they were not formalized, not communicated externally and are not tracked by management. File review and interviews found that these internal draft service standards, up to the Director General sign off, are not being met. Evidence of Aboriginal Languages Directorate specific services standards for ALI and TLA was not found.
1.3 Authority, responsibility, and accountability are clear and well communicated to staff. Accountability in support of collaborative initiatives is formally defined.	2	While governance structures are established within the ALC components operating under the APP Directorate, minor improvements could be made in documenting management meetings, and more formal communication and reporting with stakeholders for the NAD and FHFN elements (i.e. INAC and 2010 Secretariat). In addition, there is no formal document between the Aboriginal Affairs Branch and the Broadcasting Policy Branch to outline accountability for the ND program.
1.4 Mechanisms are used to systematically identify, assess and mitigate risks to program and within key processes.	3	A formal systematic risk assessment process to identify, assess and mitigate program related risks was not found linked to the APP RBAF.



Audit Criteria	Conclusion	Observation / Examples of Key Evidence
<b>Application Solicitation and Submission</b>		
2.1 An appropriate and clear method of public communication is used to inform the target audience and its effectiveness is periodically reassessed.	4	The communication and outreach activities conducted by the NAB element are not sufficient to communicate the program to all potential eligible recipients and the program's website still has not been updated with the new program guidelines.
2.2 Application forms are readily available, easy to complete, and request all information needed to assess eligibility.	4	Application forms for NAB do not reflect eligibility criteria stated within the authorities and ALI eligibility criteria for recipients and projects are considered to be too broad.
2.3 Applications are completed with reasonable and equitable PCH assistance.	1	Evidence confirmed.
2.4 All submitted applications are accurately recorded.	2	For NAB files reviewed, moderate issues were observed in that a date of receipt stamp was not always evident. In addition, not all ALI files sampled contained supporting proposals. Finally, GCIMS access profiles are not periodically monitored to ensure access is limited to authorized personnel.
<b>Eligibility Assessment and Recommendation</b>		
3.1 Recommendations (and rejections) include adequate rationale, demonstrate assessment of recipient's eligibility and capacity to perform, need for funding, and their financial viability. When greater diligence is required, additional review procedures exist and are followed.	4	Issues were noted in the following areas: 1) Inadequate rationale and justification for the funding formula used for NAB; 2) Inadequate documentation to support the process used to select delivery agents and funding amounts provided to delivery organizations and direct recipients; 3) For ALI, 10 out of the 15 files reviewed had GAF receipt stamps or recipient signatures on GAF forms after eligible expenditures were scheduled to be incurred. 4) Guidelines related to recipient eligibility and project eligibility are currently considered by program staff to be too broad to adequately determine eligibility.

Audit Criteria	Conclusion	Observation / Examples of Key Evidence
3.2 Those with financial authority certify that sufficient funds are available in the program budget and the funds are committed before forwarding recommendations for approval (Section 32).	1	Those with financial authority certify that sufficient funds are available in the program budget and the funds are committed before forwarding recommendations for approval.
3.3 All funding recommendations are approved appropriately by the Minister or delegated authority.	1	All files reviewed had the Ministerial letter on file.
<b>Contribution Agreement Preparation</b>		
4.1 All contribution agreements are documented, authorized, and recorded accurately.	4	While the NAB element did make use of standard agreements and templates, at the time of the audit, ALI used payment schedules which were not in accordance with the Policy on Transfer Payments.
4.2 Contribution agreements are signed by approved authority prior to start of the period covered by agreements.	1	File review results noted that all contribution agreements were appropriately signed.
4.3 Management of agreement and funding amendments is limited to authorized personnel, and any amendments are promptly approved and retained with the original agreement.	1	File review indicated that amendments were developed when required and are appropriately processed.
<b>Payment &amp; Recipient Monitoring</b>		
<p>5.1 Approval of claims and request for payments are issued only following confirmation of:</p> <ul style="list-style-type: none"> <li>• a signed contribution agreement or grant letter;</li> <li>• appropriateness of the amount requested and remaining availability of funds under the agreement;</li> <li>• compliance with eligible expenses; and,</li> </ul>	4	<ul style="list-style-type: none"> <li>• While NAB files had formal auditable evidence of claim review and appropriate justification for payments on file, a review of ALI and TLA files found significant discrepancies within the files reviewed. Discrepancies observed included: <ul style="list-style-type: none"> <li>○ a lack of auditable documented evidence that financial and performance reports submitted by recipients were appropriately reviewed by program officers</li> </ul> </li> </ul>

Audit Criteria	Conclusion	Observation / Examples of Key Evidence
<ul style="list-style-type: none"> <li>compliance with performance conditions of agreements (Section 34)</li> </ul>		<p>prior to the approval of payments; and</p> <ul style="list-style-type: none"> <li>missing financial and performance documentation required for the approval of recipient claims.</li> </ul>
<p>5.2 All payments are recorded accurately in SAP and in the proper period. Where inappropriate payments have been detected, corrective actions are promptly taken.</p>	2	<p>The APP conducts formal reviews of ALC component expenditures. A review of payments at year end (PAYE), however, indicated a significant proportion of ALI and TLA funding was listed as PAYEs and file review of ALI and TLA files indicated that a number of payments were still outstanding. It could not be determined to what extent the ALI and TLA PAYEs still represented legitimate liabilities or whether files should be finalized and the PAYEs reversed.</p>
<p>5.3 Upon successful completion of a funding agreement, project files are closed in GCIMS and paper files archived.</p>	3	<p>ALI recipient files review indicated that a number of key documents were missing. A review of ALI and TLA files revealed that none of the recipient files had been closed as the majority of files still had outstanding payments pending the receipt of recipient reports.</p>
<b>Program Monitoring and Reporting</b>		
<p>6.1 Information is collected and ongoing activities are taking place to periodically re-assess the program design and adjust as required.</p>	3	<p>ALC component management only started developing recipient performance reports in 2006-2007 and only started the collection of performance related information from recipients in 2007-2008. An analysis of the information collected was not initiated until fiscal year 2008 (not within the audit's scope period) when the APP Directorate started to undertake activities to prepare the APP for renewal in 2010.</p>
<p>6.2 Expected metrics/ results/ delivery standards are clearly defined, measured and variances investigated.</p>	3	<p>ALC component management did not undertake measures to assess and manage program performance during the period of the audit scope.</p>
<p>6.3 Reports on performance</p>	2	<p>For ALC component elements, the APP</p>

Audit Criteria	Conclusion	Observation / Examples of Key Evidence
are routinely shared with the appropriate stakeholders and the usefulness of reports is demonstrated.		only reports basic activity related information through the PCH Departmental Performance Report. The Program does not report performance related information to stakeholders.